GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4929
ANSWERED ON:10.05.2007
RECOVERY OF TRANSPORTATION CHARGES BY GAIL
Deshmukh Shri Subhash Sureshchandra

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the GAIL (India) Limited and Essar company had signed any agreement in 1996 for purchasing the gas under which the Essar company had to pay charges on the transportation of gas through the HBJ pipeline;

(b) if so, the details thereof and the amount outstanding against the Essar company on account of the transportation charges;

(c) whether the GAIL has recovered the outstanding amount from the said company;

(d) if not, the reasons therefor; and

(e) the steps taken by GAIL to recover the outstanding amount from the said company?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) & (b): A contract for supply of 0.50 MMSCMD of gas on firm basis and 0.35 MMSCMD of gas on fall back basis was entered into between ONGC and Essar on 24.1.1990. The contract in its entirety was taken over by GAIL in May 1992. Another contract for supply of 0.90 MMSCMD of gas on firm basis between GAIL and Essar was signed on 1.1.1993.

Subsequently, a supplementary agreement on request of Essar was signed between GAIL & Essar on 17.7.1996 for supply of 0.35 MMSCMD on firm basis in which Essar agreed to pay transportation charges in excess of 0.50 MMSCMD of gas. This Supplementary Agreement was interlinked with the main agreement for its domestic unit.

Essar stopped the payment of the transportation charges with effect from February 1999. As on 15.4.2001, the total outstanding dues on account of transportation charges and service charges of Essar were Rs. 124.55 crores. In this regard, Essar filed a writ petition in the Ahmedabad High Court on 4.5.2001.

(c) to (e): The Special Civil Application filed by Essar Steel Limited was disposed by the Gujarat High Court on 11.10.2005. GAIL has preferred Letters Patent Appeal (LPA) against the order, and the same is pending before the Appellate court for disposal on merits.